

## ***Value-Added Agriculture & U.S. Competitiveness: A Western U.S. Viewpoint***

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## *Presentation in Context: WUSATA's Perspective*

- ***Founded in 1980 by the 13 Western U.S. Departments of Agriculture***
- ***Administer USDA Market Access Program (MAP) to Help Western U.S. Companies Grow Their Export Markets***
- ***Perspective of Small to Medium Sized Companies Exporting High Value Products (processed and fresh food, beverage, and agricultural products)***
- ***Asia is WUSATA's Primary Market, and the Primary Focus of This Presentation***



## *The Rise of Consumer Food Exports*

- *1980-2000: Consumer Food Exports Replace Bulk Agricultural Commodities as Foundation for U.S. Agricultural Growth*
- *1997-2000: Consumer Food Exports Plateau – Competitors Take Greater Share of Market*
- *2000: Processed Food Exports Total \$30 Billion*
- *21<sup>st</sup> Century: Era of Global Food Trade Means Increased Competition and Challenges for U.S. Exporters*



## *Challenges for U.S. Agriculture*

- *High Tariffs Impede U.S. Imports*
- *Non-tariff Barriers Add Excessive Cost (phytosanitary restrictions, ingredient restrictions, labeling requirements, etc.)*
- *Strong U.S. Dollar Leads to Price Disadvantage*
- *Overcoming These Obstacles is Increasingly Difficult in Today's Highly Competitive Global Economy*
- *Losing Production of Labor Intensive Crops to Countries Like Mexico and China – To Compete We Must Innovate and Continuously Add Value*



## *U.S. Agricultural Assets Transcend Trade Obstacles*

- *U.S. Reputation for Consistency Producing High Quality Products*
- *U.S. Companies Offer Innovative Products to World Market*
- *U.S. Companies Stand at Forefront of Technological Innovation in Agricultural Products*
- *U.S. Companies Invest More Capital to Yield Greater Efficiency*
- *U.S. Companies Leverage Domestic Success to Compete Globally – The Ability to Compete Begins at Home*



## *Factors Influencing WUSATA's Focus on Asian Countries*

- *East Asia is Home to One Third of World Population, and is Growing at a Rate of One Percent Annually*
- *Asian Countries Rapidly Recovered From 1997-1998 Recession*
- *Infrastructure in Asian Countries Continue to Improve,*
- *China is a Promising Emerging Market; 350 Million Middle Class Consumers in Urban Areas; 575 Million by 2005*
- *Relative Geographic Proximity to Asia Offer U.S. Companies an Ocean Transportation Cost Advantage*



## *Five Asian Nations Among Top Ten Markets for U.S. Agricultural Exports*

- *Japan: Largest Export Market For U.S. Processed Foods*
- *South Korea: '99-'00 U.S. Processed Food Exports Increased 33%, Yet Tremendous Market Potential Remains*
- *Hong Kong: A Key Tran-shipment Port, and Link to Southern China*
- *China: Price Sensitive Consumers Demand Low-Cost, High-Value Products. Marketing Message Must Convey Value of Quality*
- *Niche Markets: Great Opportunity for U.S. Exporters. For Example, Montana Has Gained Recognition in Taiwanese Organic Market*





## *Asian Retail Supermarkets Competing With European Suppliers*

- *Middle Class Asian Consumers Increasingly Prefer Major Supermarkets Over Small Food Shops*
- *Global Supermarket Leaders Are European Firms - Carrefour (French), Ahold (Dutch), and Makro (German)*
- *Other Than Warehouse Retailers, U.S. Supermarket Chains Are Notably Absent*
- *Small U.S. Food Companies At A Substantial Disadvantage (Due to Unfamiliar Brands, “Foreign” Foods, Retailer Promotion Demands, etc.)*
- *Possible Solutions: Third Party Distributors, Second Tier Retailers, and for some, Private Label.*





## *Asian Foodservice and Ingredient Product Channels*

- *Strong Presence of Many American Restaurant Chains*
- *U.S. Products Purchased for These Chains Include: Frozen Potatoes, Prepared Foods, and Specialty Foods*
- *Growing Opportunity for U.S. Ingredients in Foodservice Channel*
  - *Reasons: Lower Import Tariffs and Increased Global Investment in Asia*



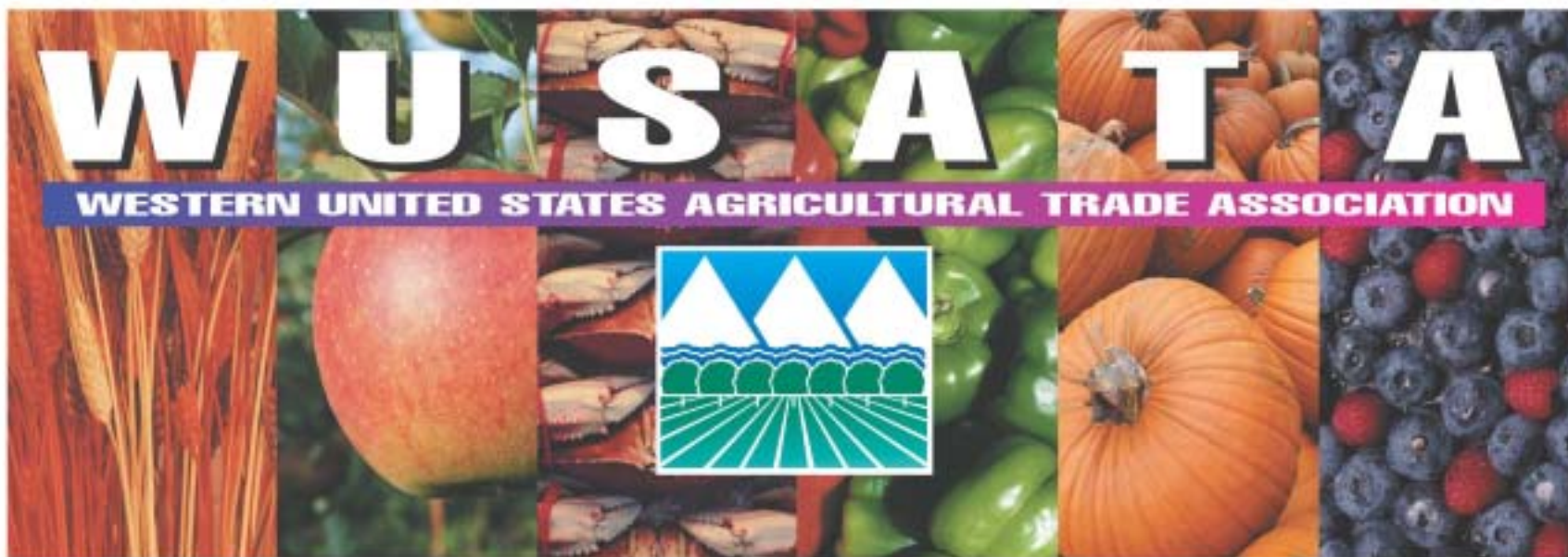
## *Canada and Mexico Critical Markets to the Western U.S.*

- *Canada and Mexico Rank Two and Three as Customers for U.S. Processed Foods*
- *Canada: Good “Starting” Market, Yet Canadian Dollar is Obstacle*
- *Under CFTA/NAFTA , the Economies of Canada and the U.S. Have Increasingly Integrated*
- *Mexico: Strong Market, Yet Economic Cycles Lead to Lack of Market Stability for U.S. Exporters*
- *Mexico: Will Experience Fastest Economic and Population Growth in North America Over the Next Decade*



## *Boosting U.S. Export Prospects How We Can Help*

- *Identify and Concentrate on “Best Market” Opportunities*
- *Promote Strong Effective Trade Policies for U.S. Agriculture*
- *In West: Improve Infrastructure and Enhance the Multi-Modal Transportation System*



***With Communication Cooperation and Innovation***

***U.S. Public and Private Sector Organizations***

***Can Gain Maximum Global Market Share***